

Back to School

Prioritizing Education in Community Development Efforts

“In these days, it is doubtful that any child may reasonably be expected to succeed in life if he is denied the opportunity of an education.”

Chief Justice Earl Warren, Brown v. Board of Education, 1954¹

By Carolina Reid

Introduction

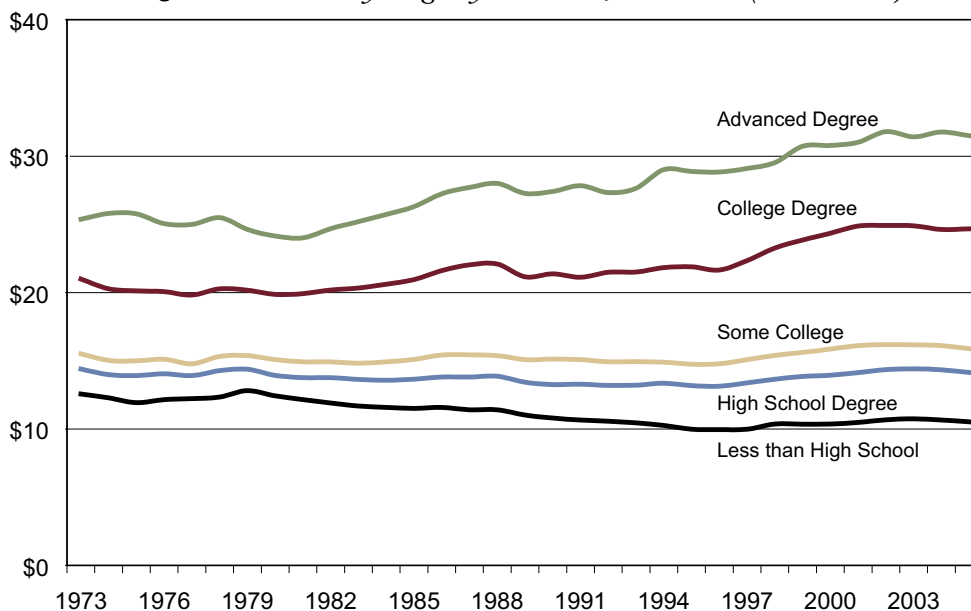
More than 50 years after Chief Justice Earl Warren penned the words above, the link between education and opportunity is as profound as ever. Indeed, as many sectors of the economy have undergone restructuring and technological advancement, the value of a high quality education—particularly a college degree—has become increasingly important in determining an individual’s economic prospects.² As Figure 1 shows, over the past few decades, the wage gap between college graduates and those with a high school education or less has widened dramatically. Today, workers with a college degree will earn nearly twice as much over their lifetimes as those with a high school degree; workers with professional degrees will earn almost four times as much.³

Yet many children—particularly those living in low-income and minority households and communities—fail to graduate from high school, let alone earn a college degree. The inequalities in access to a high quality education and achievement

are evident at every step in a child’s life. Children living in low-income households are less likely to be enrolled in pre-school, thereby missing out on developing important cognitive and social skills that influence future academic success.⁴ By grade four, more than half of low-income children score below a basic level in reading, and one in three score below basic in math, a much lower percentage than their wealthier peers.⁵ (See Figure 2) By high school, students from low-income families drop out of high school at six times the rate of those from wealthy families.⁶ And African Americans and Latinos are significantly less likely than whites to enter college and earn a college degree.

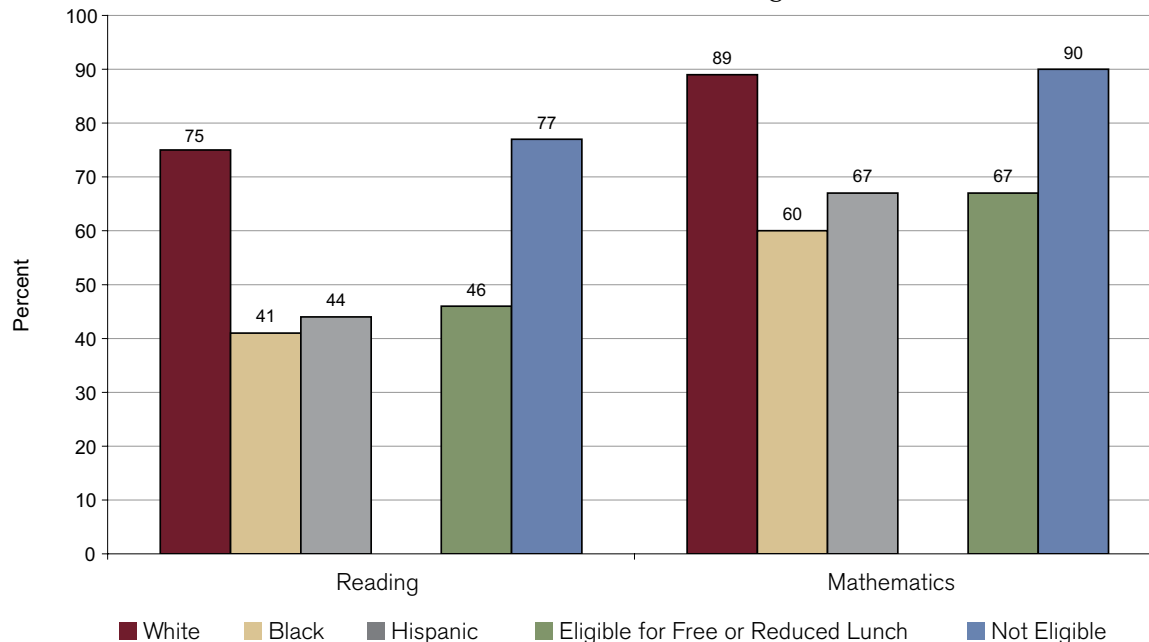
Teasing out the underlying causes for these disparities is a challenge in its own right, let alone trying to develop the appropriate policy responses. But viewed through the lens of housing and community development, it is obvious that there is a strong link between poverty and educational attainment, a link that affects not only children and their families

Figure 1: Real Hourly Wages by Education, 1973-2005 (2005 dollars)



Source: Economic Policy Institute

Figure 2: *Differences in the Percent of 4th Grade Students Scoring at a Basic Level or Above in Reading and in Math*



Source: National Center for Education Statistics, *Mathematics and Reading Report Card 2005*

but communities as well. Which leads us to the question that lies at the heart of this issue of *Community Investments*: how can those of us traditionally focused on community development contribute to improving access to a high quality education for low-income and minority children, and in the process help to catalyze equitable and sustainable neighborhood revitalization?

In this article, we begin to explore this question by first reviewing the academic literature that examines the links between poverty, neighborhoods, and academic achievement. We then turn to a brief look at the achievement and funding gaps that affect the quality of education in low-income communities. The article concludes by highlighting how the community development field can help to close the achievement gap, from supporting investments in early childhood education to developing programs that increase the financial literacy of our nation's youth.

Links among Poverty, Neighborhoods, and Academic Achievement

In 2005, nearly 13 million (17.6 percent) people under the age of 18 in the United States were living in poverty.⁷ A wide body of research demonstrates that the consequences of growing up poor are far reaching, affecting access to prenatal care, birth weight, and immunizations; behavioral problems; juvenile delinquency, drug and alcohol use, and teenage pregnancy, to name just a few.⁸ These pathways often overlap, ultimately impairing the cognitive development and lowering the educational outcomes of children.⁹

One area of remarkable agreement within the research

community is that poverty's main impact occurs during the pre- and early school years.¹⁰ Independent research in economics, developmental psychology, and neurobiology has shown that it is in these early years that children build the cognitive, linguistic, social and emotional capacity that lays the foundation for later academic and economic success.¹¹ It is during this time that children are most vulnerable to the consequences of living in poverty and its long-term effects.

Recent research has also focused on the importance of neighborhood poverty in determining student's educational outcomes, although with less consensus on its effects than in the area of early childhood development. Nevertheless, most studies tend to show higher school dropout rates, lower grades, and lower levels of college attendance among youth living in low-income communities than among youth in wealthier neighborhoods.¹² Researchers have theorized how neighborhood poverty affects educational attainment in a number of ways, from the lack of resources and poorer quality schools to the effect of peer networks and social norms that fail to value and promote student engagement and achievement.¹³ Frequent moves—prompted by financial instability and/or the lack of quality affordable housing—can also have a negative impact on children's academic achievement, as well as disrupt teaching in the classroom.¹⁴

These poverty and neighborhood effects matter because public schools—particularly in large urban areas—are highly segregated by both income and race.¹⁵ According to one estimate, one in three public schools is “high-poverty,” meaning that half or more of the student body is eligible for free or reduced-price lunch. Nearly one in two African American

and Latino students in 4th grade attends one of these high poverty schools, compared with only 5 percent of white students.¹⁶ These patterns of racial and economic segregation in public schools lead to a complicated constellation of inequalities that affect both school quality and student academic achievement, with resounding effects for poor children's future labor market opportunities.¹⁷

Academic Achievement

Providing a snapshot of educational quality and educational attainment is far from easy; not only are there problems with differences in data measurement and definition, but not everyone necessarily agrees on what measures are the most meaningful or how assessments should be conducted. With these caveats in mind, however, the National Assessment of Educational Progress (NAEP) is a nationally representative assessment of students' achievement in areas such as reading, mathematics, science, geography and economics, and provides a useful measure for understanding differences in learning outcomes among different population groups and over time.¹⁸ While NAEP surveys students at multiple grade levels, in this article we focus primarily on the results for grade 4.

The story in the NAEP data is not all bleak. Since the early 1970s, most measures of academic achievement in math and reading at the elementary school level (Grade 4) have improved, not only for whites but also for African American and Latino children.¹⁹ Nationally, the gap between white and African American and white and Latino achievement levels has been closing. Between 1999 and 2005, in particular, NAEP scores for African Americans and Latinos improved markedly, reversing the widening of the gap witnessed during the 1990s.

Yet despite this positive trend, overall gaps in achievement among racial groups remain startling high. By the end of grade 4, African American, Latino and poor students of

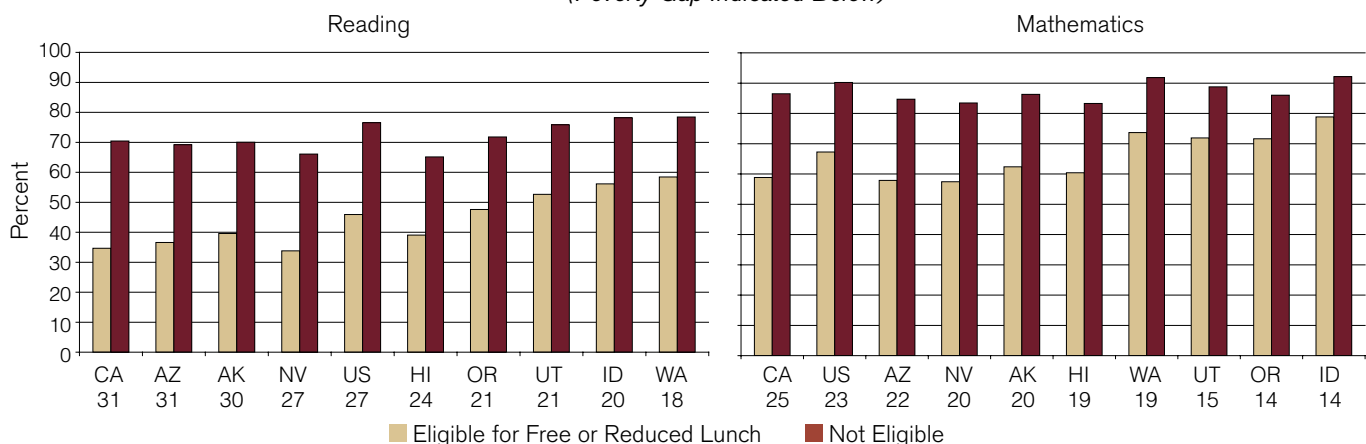
all races are already about two years behind other students—a gap that persists through high school.²⁰ Figure 3 shows the results of the 2005 NAEP assessment for the states of the Federal Reserve's 12th District. Among 12th District states, California's poverty gap is the widest, with low-income students scoring 27.6 points less than their higher income peers on a combined reading and math scale—equivalent to about 3 years of learning. Figure 3 also reflects the challenges of educating the large low-income, non-English speaking population in states like California, Arizona, and Nevada. In these three states, only about 1 in 3 students eligible for a free lunch is reading at a basic level or above, compared with more than half in states like Washington and Idaho.

The Funding Gap

These disparities in academic achievement are the result of a complex set of interwoven factors—from levels of parental education, language barriers and readiness for school to differences in teacher quality and access to educational resources. But there is no doubt that inadequate funding plays an important role in perpetuating the achievement gap.²¹ In most states in the Federal Reserve's 12th District, per capita student expenditures are well below the national average, and four states—Utah, Idaho, Nevada, and Arizona fall in the bottom quintile. (See Figure 4)

In addition, there are significant gaps in funding between poor and non-poor schools within states and even within school districts. Nationwide, the gap in funding between poor and non-poor schools has been widening in recent years. A recent study published by the Education Trust found that in 2004, the gap in funding per student between the highest and lowest poverty school districts was \$1,307.²² In other words, a classroom of 25 students in a wealthy school district would have \$32,675 more in funding for the year than a classroom in a poor school district.

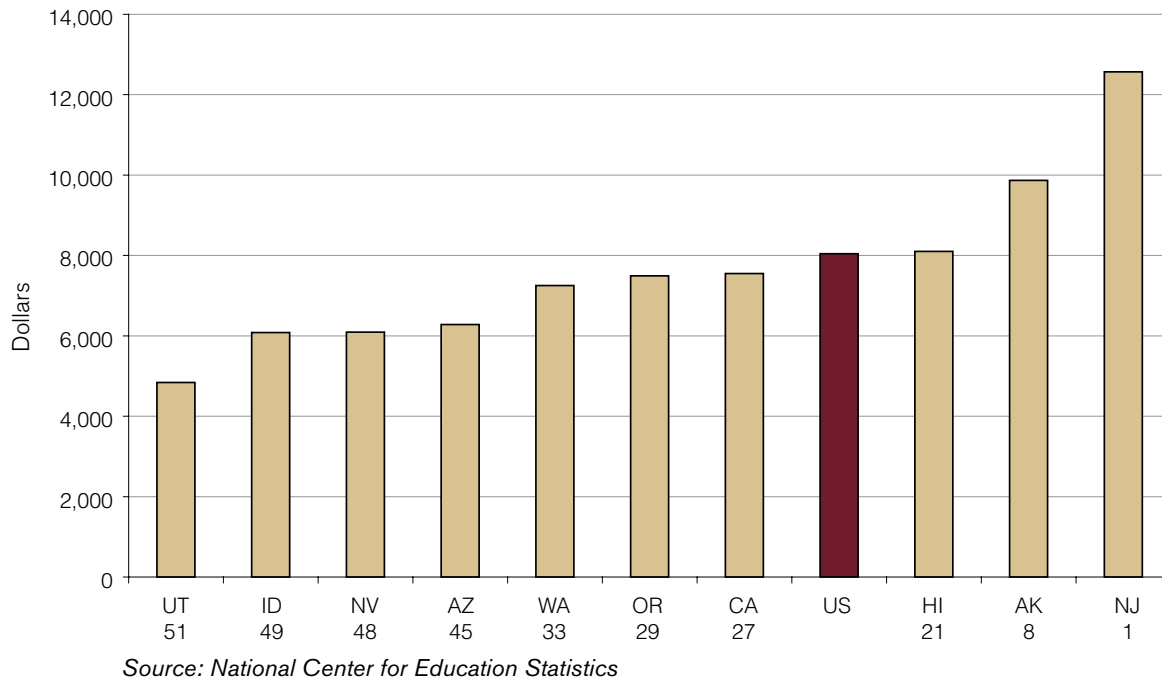
Figure 3: Percent of 4th Grade Students Scoring at a Basic Level or Above in Reading and in Math
(Poverty Gap Indicated Below)



Poverty Gap refers to the point difference in average scores between students eligible for a free or reduced lunch and those not eligible. Ten points are often interpreted as the equivalent of one year in school.

Source: National Center for Education Statistics, Mathematics and Reading Report Card 2005

Figure 4: Total Spending per Student (2003)
(National Rank Indicated Below)



Public school facilities in low-income communities also receive the fewest dollars per student for building construction and renovation. In low-income communities—defined as neighborhoods where the median income in 2000 was less than \$35,000—less than \$5,000 was spent per pupil on school construction; in communities with a median income of over \$100,000, the amount spent was more than double, at \$11,500 per student.²³ Moreover, the money spent on schools serving low-income students was more likely to fund basic repairs, such as new roofs or asbestos removal, while schools in more affluent districts were more likely to receive funds for educational enhancements such as science labs or performing arts centers.²⁴

While additional investments in public K-12 education may not be the magic bullet in terms of closing the achievement gap, these funding inequalities certainly impair schools with high numbers of poor students. Educating low-income children costs more, with additional resources often needed for language instruction, special and remedial education, teacher training, and counseling services. Without access to resources, these schools are even further disadvantaged in their ability to attract and retain high quality teachers, reduce class sizes, and pay for curriculum materials, computers, art supplies and elective activities that characterize high-quality schools.

Closing the Achievement Gap

Numerous proposals have been set forth to close the achievement gap, including school choice, vouchers, and charter schools. Perhaps the most ambitious endeavor in this regard—and certainly the one that affects the most

students, is the No Child Left Behind Act (NCLB), signed by President Bush in 2002. NCLB is extremely comprehensive: within its 670 pages are provisions relating to everything from reading and math standards to counseling programs, school prayer, and dropout prevention.²⁵

Its main focus, however, is to improve the academic achievement of students in low performing schools, particularly in schools that receive Title I federal funds targeted for low-income children. In brief, NCLB requires states to adopt a specific approach to standards, testing, and accountability. The test results—broken down by poverty, race, ethnicity, disability, and limited English proficiency—are designed to hold schools and students accountable for academic achievement, and NCLB establishes sanctions for schools that do not meet annual test performance objectives.²⁶

Debates over the effectiveness of No Child Left Behind rage not only in the halls of Congress, but also in schools across the country. While most educators and policy-makers stress that the objective of closing the achievement gap is an important one—and praise NCLB for focusing attention on this issue—some are less sanguine about the ability of NCLB to meet that objective.²⁷ For example, many critics point to inadequate funding: appropriations for NCLB have fallen far short of what the bill authorized.²⁸ Moreover, NCLB's sanctions often reinforce funding disparities between wealthy and poor school districts, since they impose additional costs to meet federal mandates without creating mechanisms to reallocate resources across districts.²⁹

Even if NCLB were adequately funded, it is unclear whether it fully addresses the reforms needed to close the achievement gap. Increasingly, it is becoming clear that

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'standards' and 'accountability' fail to address the underlying causes for the achievement gap. In *Class and Schools: Using Social, Economic and Educational Reform to Close the Black-White Achievement Gap*, for example, Richard Rothstein argues that efforts to improve educational outcomes are likely to fail unless they also include efforts to close the economic and social gaps children face outside the classroom.³⁰ We believe that two strategies are particularly relevant for the community and economic development field: expanding access to high quality, early childhood education and linking school reform with neighborhood revitalization.

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Early Childhood Education

Based on research alone, possibly the most important investment in this regard is to increase investments in early childhood education. As mentioned earlier, research has shown that the early childhood years are vital in terms of cognitive and social development, and represent a time when children are particularly vulnerable to the negative effects of living in poverty.

Why is early childhood education an issue for community and economic development? Longitudinal studies have demonstrated that high quality pre-school can provide substantial benefits to socio-economically at-risk children, with annual rates of return ranging between 7 percent and 18 percent, adjusted for inflation.³¹ (See Special Section: Early Childhood Education). As Arthur Rolnick and Rob Grunewald, economists at the Federal Reserve Bank of Minneapolis, argue in their article in this issue, these rates of return suggest that investing in high quality pre-school is an effective economic development strategy—one that outperforms building new sports stadiums or relocating businesses.

The childcare industry is also an important source of employment and business revenue. To provide just one example, in Washington state the early education industry includes over 9,000 small businesses and employs over 30,000 workers in licensed programs—more than either the retail apparel or hotel industry.³² Supporting this industry—by building childcare facilities and investing in childcare provider training, for example—can help formalize and increase the wages of those already providing childcare, and can support working families in the community needing childcare. In Los Angeles, for example, CD Tech is developing a strategy to improve the training and capacity of early child development providers, addressing both workforce development and childcare needs in tandem.

While few disagree about the benefits of early childhood education, there is less agreement about how to fund it. Financing for childcare and early education primarily comes from a patchwork of government programs, parental resources, and the private sector, and most of the cost burden still falls primarily to families.³³ Expanding access to high quality childcare will require new financing mechanisms, from generating public revenues through innovative tax- and fee-based approaches to public-private partnerships that can provide capital investment for financing childcare facilities.

Linking Schools with Community Development

If access to high quality pre-school can help to mitigate the negative effects of living in poverty at the individual or household level, then community development and neighborhood revitalization are important strategies for mediating the effects of neighborhood poverty. Yet in many cases, community development efforts have failed to connect low-income families to strong neighborhoods with living-wage jobs and good schools; instead, they have reinforced their isolation from the rest of the economy by further concentrating affordable housing in poor communities.³⁴

Increasingly, community development organizations are moving toward more comprehensive strategies for neighborhood revitalization that take into account local needs, build leadership among local residents and organizations and invest in both "people" and "place" based strategies for poverty alleviation. (See Community Investments, Winter 2006) Improving the neighborhood school should be a central part of these efforts. As Professor Mark Warren notes in his interview with Community Investments, the links between neighborhood poverty and schools are intuitive, and efforts to integrate education reform with community development are likely to do more than pursuing each of them alone. (See Special Section: Schools and Community Development)

Community based organizations, developers, and foundations have already been working in this direction, breaking down traditional divisions between school reform and community development to coordinate their efforts to revitalize neighborhoods.³⁵ Community based organizations in cities as far-flung as Baltimore, Chicago, and Los Angeles have started charter schools as part of a comprehensive neighborhood revitalization strategy, and have seen improvements at both the neighborhood level and in student performance. Particularly in the context of HOPE VI redevelopment, research has shown that concurrent investments in the local school reinforce the investments in housing in these neighborhoods, and vice versa.³⁶

Both LISC and Enterprise have also expanded their focus areas to include education. LISC's Community Investment Collaborative for Kids (CICK) offers financial and technical assistance for the development of child care facilities in low-income communities, and its Educational Facilities Financing Center (EFFC) provides financial and policy support for financing local educational facilities, especially charter

The SF Fed in Action

Transforming the Way Economics is Taught

By Jody Hoff, Senior Manager, Public Information, Federal Reserve Bank of San Francisco

Nine states

Nine independent sets of curriculum standards

10.5 million school-age children

5,000 high schools...

And one question. How can the Federal Reserve Bank of San Francisco—with a long standing tradition of providing economic and financial education—effectively reach such a diverse population in today's educational environment?

Recently, our Public Information department took a comprehensive look at the educational needs of the 12th District's nine western states and determined that a new strategy would be necessary to deliver economic education in a way that would be meaningful to students all around the District, from Anchorage to Yuma. We decided that this new strategy should transform the way economics is taught at the high school level and create innovative learning experiences that make the workings of the Federal Reserve System and the U.S. economy come alive for young adults. In the era of podcasts and YouTube, actively engaging students is an increasingly important factor in the success of educational programs. "Experience-based learning," where student participation is not only part of the learning process but actually changes and informs the outcome of the activity, integrates a level of engagement not possible in more traditional methods of instruction. Two of our key initiatives—the University Symposium and the International Economic Summit—utilize this experience-based learning methodology.

The success of this approach is evident in the enthusiasm level of the students—after all, how often do you see a room full of students excitedly discussing the federal funds rate or trade sanctions? In both of these programs, students become the decision-makers and learn how their choices affect everything from the global economy to household spending and homeownership rates.

Since its inception in 2002, the goal of the University Symposium is to enhance undergraduate students' understanding of the Federal Reserve System, with the focus on the Fed's conduct of monetary policy. Several weeks prior to the Symposium, our Public Information staff provide faculty and students with a wealth of information on current economic conditions and introduce them to current debates on the economy among market participants and monetary policy decision-makers. On the day of the event, economists and experts from the Federal Reserve also give presentations on other Fed purposes and functions, including the role of the Fed in banking supervision and regulation and the nation's payments system. The Symposium concludes with a real-time FOMC simulation, with university students taking on the role of FOMC members and voting on monetary policy and the target federal funds interest rate.

In the International Economic Summit program, high school students participate in a world trade simulation that teaches fundamental economic concepts within the context of international trade. The program challenges high school students to think critically about the benefits and costs of trade and to explore the multifaceted process of globalization. Throughout the ten-week curriculum, students work in teams as economic advisors to an assigned country, researching the social, political, and economic conditions in order to create a strategic plan to improve living standards for their population. The program culminates in a Mini Summit event at each school and a Regional Summit competition hosted at a local university. On that day, students implement their plans through a series of guided activities that include negotiation of trade alliances, debate of international issues, flag and concept quizzes, a trade session, and an awards ceremony.

In the first half of 2007, more than 400 college students participated in the University Symposium and over 4,000 high school students took part in the International Economic Summit program. The numbers speak strongly to the value of developing innovative curricula that prepare students to become informed actors in today's complex economic environment. To learn more about these programs, as well as other educational efforts conducted by the Federal Reserve Bank of San Francisco, please visit our website at <http://www.frbsf.org/education/>.



High school students take on the role of economic policy-makers from the Ukraine and the Netherlands at the International Economic Summit held at the University of San Francisco.

schools. Enterprise's School and Communities program works to combine the large-scale physical redevelopment of low-income neighborhoods with school reform, including helping to build strong school leadership.

As Jill Khadduri and her colleagues argue in *Reconnecting Schools and Neighborhoods*, school-centered community revitalization does not replace what we already know about what works to improve poor neighborhoods. Instead, it encourages community development practitioners to think of school improvement as a core neighborhood revitalization

strategy and to make sure that the other neighborhood strategies (housing development, economic development, workforce investment, anticrime) reinforce the school improvement effort.³⁷

The Role of Financial Institutions in Education

For a financial institution, understanding where and how to be a partner in education reform isn't necessarily intuitive, but in fact there are many ways that financial institutions

Branching Out

County Bank Moves into McLane High School in Fresno

By Sarah Scott

When McLane High School in Fresno, California, opens its doors on August 20, 2007, it will usher in not only a new school year but a new era in California banking and community outreach. On that day, County Bank will "go live" with its 30th bank branch in a former classroom at McLane High School—a bank branch that will be staffed and run by McLane students under County Bank supervision.

The idea of opening a school bank branch is not a new one, but it has only been tried in a few places across the country. School-bank partnerships have been successfully undertaken in Milwaukee and Chicago, but this will be the first student-run bank branch to open in California, and it will be the largest high school campus in the United States in which a student-run branch will be located.

Fresno is an ideal location for an endeavor of this type, and the branch presents a great opportunity for community outreach. Fresno has a large unbanked population, and McLane serves a low-income, minority population. With the opening of the Highlander Branch at McLane, County Bank has the opportunity to reach students and their parents with financial education.

McLane seniors majoring in a business-tract curriculum were recruited to staff the Highlander Branch. During the summer months, they were trained by County Bank team members, much the same as new hire, non-student team members would be trained in tellering and new account opening procedures. In the fall, student team members will be enrolled in a business course designed to compliment their banking experience. Besides receiving training and valuable hands-on work experience in the bank, students will receive scholarship funds for their efforts.

Under the tutelage of dedicated school and bank staff, the students will be encouraged to make the bank branch their own. They will elect a president and other bank officers, hold board meetings, create marketing campaigns, and extend financial education to their fellow students, their parents and their community. Where high school students may be disinclined to listen to teachers lecture about the values of money management and saving for the future, the hope is that they will listen to their peers and take the advice to heart. Similarly, those parents and adults who distrust financial institutions will hopefully gain a greater comfort level with banking because of their children's involvement in the student bank branch.

It has taken the joint effort of many public and private entities and individuals to make the idea of a bank branch in a California high school a reality. The hope is that it will serve as a model for many other schools and banks in the state. With the savings rate in this country at an all time low since the Great Depression, the time has come for banks to step up with new partnerships for change. County Bank is proud to be one of those banks breaking ground in California with its Highlander Branch.

—Sarah Scott, Vice-President, Compliance and CRA Officer at County Bank, proposed the school branch project in September 2006 and has been acting as the lead project manager since its approval by County Bank's Executive Committee. Before entering the world of banking and compliance and CRA seven years ago, Sarah worked for 15 years as an Attorney Advisor for several federal agencies.



Ed Rocha, President of County Bank, addresses the crowd at a May 24, 2007 press conference announcing the Highlander Branch.

are engaging in efforts that will help to improve educational outcomes for low-income students. Banks are increasingly making childcare facilities and charter school lending part of their community development portfolio, or are making an impact through investments in CDFIs that provide specialized lending expertise in this arena. For example, the ABCD program, an initiative of the Low Income Investment Fund, has leveraged \$62.1 million in resources for child care facilities development in California since 2003, including \$38.5 million from planning grants and \$23.6 million from loans,

creating nearly 14,500 childcare spaces.³⁸ And in many communities, lenders, investors and other social entrepreneurs are providing social capital connections, financial resources, and management expertise through their work on operations and school boards.³⁹

Financial institutions also have a role in providing access to financial education. Most students—from across the income spectrum—graduate high school without a solid understanding of economic and financial concepts. The annual Jump\$tart survey, for example, found that nearly

The Glow Foundation

Addressing Financial Barriers to College for Low-Income Students

By Joobee Shin, Executive Director of Glow Foundation and Fred Mendez, Director of Community Reinvestment at Silicon Valley Bank

Attaining a college education has many benefits for both individuals and the economy as a whole. But low-income students do not enter college at the same rate as wealthier counterparts.¹ According to the Advisory Committee on Student Financial Assistance, only 20 percent of low-income students are likely to attain a college degree compared to 68 percent of high-income students. While many factors play into this disparity, what is particularly troubling is that even among those high school graduates who are academically qualified to go to college, low-income students are far less likely to end up obtaining a college degree than their high-income peers – 43 percent vs. 80 percent.² Each year, an estimated 200,000 college capable low-income students graduate from high school but do not pursue a college degree.³

Why not? One reason is the financial hurdle of attending college. Three key financial barriers exist for low-income, college qualified students in making it to and through college:

Lack of awareness of financial aid options Students in low-income communities often lack the critical awareness of available financial aid options, which reinforces the problem of affordability. According to one study, 50 to 75 percent of low-income students do not apply for financial aid or loans and/or do not attend financial aid information sessions.⁴

Lack of basic financial literacy skills and access to capital Limited financial literacy skills can limit low-income students' ability to plan, evaluate, and pursue college financing options even when they are exposed to the information. Poor credit histories can also serve as a barrier to obtaining private student loans.

"Unmet need" in college financing With the rising cost of college tuition and a shortage of need-based grants, low-income students are facing record high "unmet need," preventing even the most committed students from pursuing college attendance. ("Unmet need" refers to the gap in financing of college cost after expected family contribution and financial aids including work study and loans.) In 2002, average annual "unmet need" for low income students was estimated at \$3,800 for four year public colleges.⁵ Low-income students may also spend excessive time working income producing jobs and managing high debt levels, contributing to college drop-out rates and long term financial burdens.

Addressing this mix of barriers will require innovative partnerships among the public, private, and philanthropic sectors. The Glow Foundation, a newly formed nonprofit organization based in the Bay Area, is trying to do exactly that. Glow begins by partnering with local nonprofits that work in low-income communities to identify and develop college-ready students. Once these students are identified, Glow works with financial institutions, college planning outreach programs, and local business leaders to connect these students to financial education classes and mentors. The majority of Glow students are the first in their family to go to college, and the financial planning process can seem daunting. By providing financial education and individual mentorship support, Glow assists students in evaluating their expenses and finding funding for their college education.

Finally, Glow provides grants to these students to fill the "unmet need" financing required to ensure college attendance. While the grant size is relatively small, ranging from \$500 to \$5,000 depending on the students' needs, it makes the difference in whether the student can ultimately enroll in college and earn a degree. In the words of Edgar Molina, one of Glow's first college attendees, "The Glow Foundation helped me get to San Jose State. They helped me understand my tuition bill, find scholarships, and then awarded me the last \$2,000 I need to enroll in a freshman year."

Back to School

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6. National Center for Education Statistics, *Digest of Education Statistics 2006*, Table 105. Online at http://nces.ed.gov/programs/digest/d06/tables/dt06_105.asp.
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The Economics of Early Childhood Development as Seen by Two Fed Economists

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Linking Community Development and School Improvement

1. Mark Warren is the author of *Dry Bones Rattling: Community Building to Revitalize American Democracy*, which studies the Texas/Southwest Industrial Areas Foundation, the nation's most prominent faith-based community organizing network.
2. For more details, see M. Warren (2004). "Linking Community Development and School Improvement," A Report prepared for the Ford Foundation, online at <http://www.lsna.net/display.aspx?pointer=2515>.

Youth Engagement in Planning Nationwide

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